



ANNUAL STATEMENT
For the Year Ending December 31, 2008
OF THE CONDITION AND AFFAIRS OF THE
Care Improvement Plus South Central Insurance Company

NAIC Group Code	4443 (Current Period)	4443 (Prior Period)	NAIC Company Code	12567	Employer's ID Number	20-3888112
Organized under the Laws of	Arkansas		State of Domicile or Port of Entry	Arkansas		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[X] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[]	
Incorporated/Organized	01/13/2006		Commenced Business	01/01/2007		
Statutory Home Office	400 West Capitol, Suite 2000 (Street and Number)		Little Rock, AR 72201 (City or Town, State and Zip Code)			
Main Administrative Office	351 W. Camden Street, Suite 100 (Street and Number)		Baltimore, MD 21201 (City or Town, State and Zip Code)			
Mail Address	351 W. Camden Street, Suite 100 (Street and Number or P.O. Box)		Baltimore, MD 21201 (City or Town, State and Zip Code)			
Primary Location of Books and Records	351 W. Camden Street, Suite 100 (Street and Number)		Baltimore, MD 21201 (City or Town, State and Zip Code)			
Internet Website Address	www.xlhealth.com		(410)625-2200 (Area Code) (Telephone Number)			
Statutory Statement Contact	Justin M. Jarkowski (Name)		(443)524-8929 (Area Code)(Telephone Number)(Extension)			
	jjarkowski@xlhealth.com (E-Mail Address)		(410)244-8347 (Fax Number)			

OFFICERS

Name	Title
Frederick Clark Dunlap	Chairman, CEO & President
Paul Anthony Serini	Secretary & EVP
Mete Sahin	Treasurer & CFO
Frederick Porter Dodson	Assistant Secretary & EVP
Daniel Jay Friedman	Assistant Secretary & CLO
Suresh Ramakrishnan	CIO
Laura June Ciavola	Senior VP of Claims & Systems Intergration
Robb Andrew Cohen	CGAO

OTHERS

DIRECTORS OR TRUSTEES

Frederick Clark Dunlap Paul Anthony Serini
Frederick Porter Dodson #

State of _____
County of _____ ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Frederick Clark Dunlap (Printed Name) 1. Chairman, CEO & President (Title)	(Signature) Paul Anthony Serini (Printed Name) 2. Secretary & EVP (Title)	(Signature) Mete Sahin (Printed Name) 3. Treasurer & CFO (Title)
Subscribed and sworn to before me this _____ day of _____, 2009	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[X] No[] _____ _____ _____

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	953,032		953,032	7,172,308
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				51,982,540
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$....(18,052,552) Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....159,225,772 Schedule DA)	141,173,219		141,173,219	104,646,787
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	142,126,251		142,126,251	163,801,635
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	21,105		21,105	319,728
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection	12,590,498	2,881,378	9,709,120	959,596
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums	31,294,316		31,294,316	19,291,000
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers	632,155		632,155	170,567
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans	454,151		454,151	
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset	17,247,771	17,247,771		
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....0)				
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	6,213,607		6,213,607	15,946,061
22.	Health care (\$.....2,099,912) and other amounts receivable	6,308,177	4,208,265	2,099,912	3,849,397
23.	Aggregate write-ins for other than invested assets				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	216,888,031	24,337,414	192,550,617	204,337,984
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	216,888,031	24,337,414	192,550,617	204,337,984
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	.....			
2302.	.....			
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)	108,683,690		108,683,690	145,138,249
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	1,466,340		1,466,340	1,509,475
4.	Aggregate health policy reserves	768,453		768,453	11,504,019
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	418,179		418,179	176,343
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable	503,305		503,305	
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates				3,531,013
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	20,674,932		20,674,932	6,154,207
21.	Aggregate write-ins for other liabilities (including \$.....0 current)				
22.	Total liabilities (Lines 1 to 21)	132,514,899		132,514,899	168,013,306
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	100,000	100,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	157,312,960	86,612,960
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(97,377,241)	(50,388,282)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	60,035,719	36,324,678
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	192,550,618	204,337,984
DETAILS OF WRITE-INS					
2101.	.....			
2102.	.....			
2103.	.....			
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)				
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	528,609	338,739
2.	Net premium income (including \$.....0 non-health premium income)	X X X	692,650,092	389,167,642
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	692,650,092	389,167,642
Hospital and Medical:				
9.	Hospital/medical benefits		568,374,856	325,803,912
10.	Other professional services		3,054,428	1,817,041
11.	Outside referrals			
12.	Emergency room and out-of-area			
13.	Prescription drugs		74,322,497	33,781,698
14.	Aggregate write-ins for other hospital and medical		1,129,711	1,757,020
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		646,881,492	363,159,671
Less:				
17.	Net reinsurance recoveries		611,101	170,567
18.	Total hospital and medical (Lines 16 minus 17)		646,270,391	362,989,104
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....19,672,917 cost containment expenses		42,331,756	43,535,225
21.	General administrative expenses		59,190,434	33,973,015
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		747,792,581	440,497,344
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(55,142,489)	(51,329,702)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		3,667,396	2,263,083
26.	Net realized capital gains (losses) less capital gains tax of \$.....0		1,834	
27.	Net investment gains (losses) (Lines 25 plus 26)		3,669,230	2,263,083
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....1,397,561)]		(1,397,561)	
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(52,870,820)	(49,066,619)
31.	Federal and foreign income taxes incurred	X X X		
32.	Net income (loss) (Lines 30 minus 31)	X X X	(52,870,820)	(49,066,619)
DETAILS OF WRITE-INS				
0601.	.....	X X X		
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Transportation Costs		1,129,711	1,757,020
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		1,129,711	1,757,020
2901.	.....		
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	36,324,678	1,835,877
34.	Net income or (loss) from Line 32	(52,870,820)	(49,066,619)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	311,229	16,936,542
39.	Change in nonadmitted assets	(6,053,168)	(18,284,246)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		100,000
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in	70,700,000	84,803,123
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	11,623,800	
48.	Net change in capital and surplus (Lines 34 to 47)	23,711,041	34,488,800
49.	Capital and surplus end of reporting year (Line 33 plus 48)	60,035,719	36,324,677
DETAILS OF WRITE-INS			
4701.	Correction of an Error - 2007 Audit Adjustments	11,623,800	
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	11,623,800	

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	659,665,439	379,539,239
2.	Net investment income	3,935,361	1,959,027
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	663,600,800	381,498,266
5.	Benefit and loss related payments	685,115,761	222,336,697
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	88,654,476	69,668,215
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	773,770,237	292,004,912
11.	Net cash from operations (Line 4 minus 10)	(110,169,437)	89,493,354
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	11,530,992	2,544,034
12.2	Stocks	103,490,911	62,976,874
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments	971	
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	115,022,874	65,520,908
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	5,280,195	8,792,038
13.2	Stocks	51,508,372	114,959,413
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications	0	
13.7	Total investments acquired (Lines 13.1 to 13.6)	56,788,567	123,751,451
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	58,234,307	(58,230,543)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock	70,700,000	70,403,123
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	17,761,562	1,981,829
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	88,461,562	72,384,952
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	36,526,432	103,647,763
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	104,646,787	999,025
19.2	End of year (Line 18 plus Line 19.1)	141,173,219	104,646,788

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1	2	3	4	5	6	7	8	9	10
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1.	Net premium income	692,650,092						692,650,092			
2.	Change in unearned premium reserves and reserve for rate credit										
3.	Fee-for-service (net of \$.0 medical expenses)										X X X
4.	Risk revenue										X X X
5.	Aggregate write-ins for other health care related revenues										X X X
6.	Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7.	Total revenues (Lines 1 to 6)	692,650,092						692,650,092			
8.	Hospital/medical benefits	568,374,856						568,374,856			X X X
9.	Other professional services	3,054,428						3,054,428			X X X
10.	Outside referrals										X X X
11.	Emergency room and out-of-area										X X X
12.	Prescription drugs	74,322,497						74,322,497			X X X
13.	Aggregate write-ins for other hospital and medical	1,129,711						1,129,711			X X X
14.	Incentive pool, withhold adjustments and bonus amounts										X X X
15.	Subtotal (Lines 8 to 14)	646,881,492						646,881,492			X X X
16.	Net reinsurance recoveries	611,101						611,101			X X X
17.	Total hospital and medical (Lines 15 minus 16)	646,270,391						646,270,391			X X X
18.	Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19.	Claims adjustment expenses including \$.19,672,917 cost containment expenses	42,331,756						42,331,756			
20.	General administrative expenses	59,190,434						59,190,434			
21.	Increase in reserves for accident and health contracts										X X X
22.	Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23.	Total underwriting deductions (Lines 17 to 22)	747,792,581						747,792,581			
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	(55,142,489)						(55,142,489)			
DETAILS OF WRITE-INS											
0501.	.....										X X X
0502.	.....										X X X
0503.	.....										X X X
0598.	Summary of remaining write-ins for Line 5 from overflow page										X X X
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698.	Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.	Transportation Costs	1,129,711						1,129,711			X X X
1302.	.....										X X X
1303.	.....										X X X
1398.	Summary of remaining write-ins for Line 13 from overflow page										X X X
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	1,129,711						1,129,711			X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
Line of Business					
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare	698,465,122	.....	5,815,030	692,650,092
7.	Title XIX - Medicaid .....	.....	.....	.....	.....
8.	Other health .....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 through 8)	698,465,122	.....	5,815,030	692,650,092
10.	Life .....	.....	.....	.....	.....
11.	Property/casualty .....	.....	.....	.....	.....
12.	TOTALS (Lines 9 to 11)	698,465,122	.....	5,815,030	692,650,092

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	685,265,273						685,265,273			
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	149,513						149,513			
1.4 Net	685,115,760						685,115,760			
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	108,683,690						108,683,690			
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	108,683,690						108,683,690			
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)	1,929,223						1,929,223			
7. Amounts recoverable from reinsurers December 31, current year	632,155						632,155			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	145,138,249						145,138,249			
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	145,138,249						145,138,249			
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year	170,567						170,567			
12. Incurred benefits:										
12.1 Direct	646,881,491						646,881,491			
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	611,101						611,101			
12.4 Net	646,270,390						646,270,390			
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	10,151,586						10,151,586			
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	10,151,586						10,151,586			
2. Incurred but Unreported:										
2.1 Direct	98,532,104						98,532,104			
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	98,532,104						98,532,104			
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	108,683,690						108,683,690			
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	108,683,690						108,683,690			

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical)						
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare	128,014,367	556,639,805	2,351,109	106,332,581	130,365,476	145,138,249
7.	Title XIX - Medicaid						
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	128,014,367	556,639,805	2,351,109	106,332,581	130,365,476	145,138,249
10.	Healthcare receivables (a)		6,244,498				4,315,275
11.	Other non-health						
12.	Medical incentive pool and bonus amounts						
13.	TOTALS (Lines 9 - 10 + 11 + 12)	128,014,367	550,395,307	2,351,109	106,332,581	130,365,476	140,822,974

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	.....	.....	.....	.....	.....
2.	2004 .....	.....	.....	.....	.....	.....
3.	2005	X X X .....	.....	.....	.....	.....
4.	2006	X X X	X X X .....	.....	.....	.....
5.	2007	X X X	X X X	X X X	217,851	350,181
6.	2008	X X X	X X X	X X X	X X X	550,395

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	.....	.....	.....	.....	.....
2.	2004 .....	.....	.....	.....	.....	.....
3.	2005	X X X .....	.....	.....	.....	.....
4.	2006	X X X	X X X .....	.....	.....	.....
5.	2007	X X X	X X X	X X X	362,989	352,532
6.	2008	X X X	X X X	X X X	X X X	656,728

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2.	2005 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	2006 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	2007	389,168	350,181	45,526	13.001	395,707	101.680	2,351	32	398,090	102.293
5.	2008	692,650	550,395	16,216	2.946	566,611	81.803	106,333	1,435	674,379	97.362

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004										
2.	2005										
3.	2006										
4.	2007										
5.	2008										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Medicare Supplement
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004										
2.	2005										
3.	2006										
4.	2007										
5.	2008										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006		X			
5.	2007		X	X X X		
6.	2008	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006		X			
5.	2007		X	X X X		
6.	2008	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004										
2.	2005										
3.	2006										
4.	2007										
5.	2008										

12 Dental Only

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Vision Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004	N O N E				
3.	2005					
4.	2006					
5.	2007					
6.	2008	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004	N O N E				
3.	2005					
4.	2006					
5.	2007					
6.	2008	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004				N O N E						
2.	2005										
3.	2006										
4.	2007										
5.	2008										

12 Vision Only

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Federal Employees Health Benefits Plan Premiums

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004										
2.	2005										
3.	2006										
4.	2007										
5.	2008										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	.....	.....	.....	.....	.....
2.	2004 .....	.....	.....	.....	.....	.....
3.	2005	X X X .....	.....	.....	.....	.....
4.	2006	X X X	X X X .....	.....	.....	.....
5.	2007	X X X	X X X	X X X	217,851	350,181
6.	2008	X X X	X X X	X X X	X X X	550,395

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	.....	.....	.....	.....	.....
2.	2004 .....	.....	.....	.....	.....	.....
3.	2005	X X X .....	.....	.....	.....	.....
4.	2006	X X X	X X X .....	.....	.....	.....
5.	2007	X X X	X X X	X X X	362,989	352,532
6.	2008	X X X	X X X	X X X	X X X	656,728

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2.	2005 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	2006 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	2007	389,168	350,181	45,526	13.001	395,707	101.680	2,351	32	398,090	102.293
5.	2008	692,650	550,395	16,216	2.946	566,611	81.803	106,333	1,435	674,379	97.362

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004										
2.	2005										
3.	2006										
4.	2007										
5.	2008										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior					
2.	2004					
3.	2005					
4.	2006					
5.	2007					
6.	2008					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2004										
2.	2005										
3.	2006										
4.	2007										
5.	2008										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income	768,453						768,453		
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)	768,453						768,453		
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)	768,453						768,453		
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page ..									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .									
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)									

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building)	601,250	601,249	1,202,499		2,404,998
2.	Salaries, wages and other benefits	8,765,020	10,775,943	22,188,461	22,570	41,751,994
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)			16,677,907		16,677,907
4.	Legal fees and expenses		236,979	2,132,811		2,369,790
5.	Certifications and accreditation fees	54,618	54,618	210,347		319,583
6.	Auditing, actuarial and other consulting services		1,345,589	1,345,590		2,691,179
7.	Traveling expenses	341,927	341,927	683,854		1,367,708
8.	Marketing and advertising			1,856,200		1,856,200
9.	Postage, express and telephone	210,167	210,167	1,475,048		1,895,382
10.	Printing and office supplies	755,444	755,444	1,285,465		2,796,353
11.	Occupancy, depreciation and amortization			261,805		261,805
12.	Equipment	190,035	190,035	380,069		760,139
13.	Cost or depreciation of EDP equipment and software					
14.	Outsourced services including EDP, claims, and other services	8,537,564	7,847,617	538,281		16,923,462
15.	Boards, bureaus and association fees	99,305		99,305		198,610
16.	Insurance, except on real estate	76,059	152,118	76,059		304,236
17.	Collection and bank service charges		147,153	6,199,191	58,861	6,405,205
18.	Group service and administration fees	41,528		1,370,551		1,412,079
19.	Reimbursements by uninsured plans					
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes			177,621		177,621
23.2	State premium taxes			674,127		674,127
23.3	Regulator authority licenses and fees					
23.4	Payroll taxes			355,243		355,243
23.5	Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses					
26.	Total expenses incurred (Lines 1 to 25)	19,672,917	22,658,839	59,190,434	81,431	(a) 101,603,621
27.	Less expenses unpaid December 31, current year		1,466,340	418,179		1,884,519
28.	Add expenses unpaid December 31, prior year		1,509,475	176,343		1,685,818
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	19,672,917	22,701,974	58,948,598	81,431	101,404,920
DETAILS OF WRITE-INS						
2501.	.....				
2502.	.....				
2503.	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)					

(a) Includes management fees of \$.....101,492,928 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a)..... (1,653)	..... 13,741
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a)..... 231,401	..... 201,825
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated) .....	..... 689,022	..... 611,405
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e)..... 3,164,703	..... 3,055,737
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	..... 4,083,473	..... 3,882,707
11.	Investment expenses	(g)..... 81,431	
12.	Investment taxes, licenses and fees, excluding federal income taxes	(g).....	
13.	Interest expense	(h)..... 133,880	
14.	Depreciation on real estate and other invested assets	(i).....	
15.	Aggregate write-ins for deductions from investment income .....	.....
16.	Total deductions (Lines 11 through 15) .....	..... 215,311	
17.	Net Investment income (Line 10 minus Line 16) .....	..... 3,667,396	
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$.....37,774 accrual of discount less \$.....7,116 amortization of premium and less \$.....40,060 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....61,364 accrual of discount less \$.....22,070 amortization of premium and less \$.....54,968 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	.....	.....	.....	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2	Other bonds (unaffiliated) .....	..... 863	.....	..... 863	.....	.....
1.3	Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....	.....	.....	.....
3.	Mortgage loans .....	.....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	..... 971	.....	..... 971	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....	.....
8.	Other invested assets .....	.....	.....	.....	.....	.....
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	..... 1,834	.....	..... 1,834	.....	.....
DETAILS OF WRITE-INS						
0901.	.....	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection	2,881,378	881,826	(1,999,552)
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset	17,247,771	16,936,542	(311,229)
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software			
19.	Furniture and equipment, including health care delivery assets			
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates			
22.	Health care and other amounts receivable	4,208,265	465,878	(3,742,387)
23.	Aggregate write-ins for other than invested assets			
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	24,337,414	18,284,246	(6,053,168)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	24,337,414	18,284,246	(6,053,168)
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	.....		
2302.	.....		
2303.	.....		
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)			

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	.....	.....	.....	.....	.....	.....
2.	Provider Service Organizations .....	.....	.....	.....	.....	.....	.....
3.	Preferred Provider Organizations	57,258	42,820	42,071	44,651	45,386	528,609
4.	Point of Service .....	.....	.....	.....	.....	.....	.....
5.	Indemnity Only .....	.....	.....	.....	.....	.....	.....
6.	Aggregate write-ins for other lines of business .....	.....	.....	.....	.....	.....	.....
7.	TOTAL	57,258	42,820	42,071	44,651	45,386	528,609
DETAILS OF WRITE-INS							
0601.	.....	.....	.....	.....	.....	.....	.....
0602.	.....	.....	.....	.....	.....	.....	.....
0603.	.....	.....	.....	.....	.....	.....	.....
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	.....	.....	.....	.....	.....	.....
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	.....	.....	.....	.....	.....	.....

Notes to Financial Statement

1. Summary of Significant Accounting Policies

a. Accounting Practices

The accompanying financial statements of Care Improvement Plus South Central Insurance Company (the Company) have been prepared in conformity with accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial conditions and results of operation of an insurance company for determining its solvency under Arkansas Insurance law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Arkansas.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Arkansas is shown below:

	2008	2007
(1) Net Income Arkansas state basis	(52,870,820)	(49,066,619)
(2) State Prescribed Practices (Income):		
(3) State Permitted Practices (Income):		
(4) Net Income, NAIC SAP	(52,870,820)	(49,066,619)
(5) Statutory Surplus Arkansas basis	60,035,719	36,324,678
(6) State Prescribed Practices (Surplus):		
(7) State Permitted Practices (Surplus):		
(8) Statutory Surplus, NAIC SAP	60,035,719	36,324,678

b. Use of Estimates in the Preparation of the Financial Statements.

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c. Accounting Policy

- (1) Cash and short-term investments include cash and US government and agency obligations with original dates of maturity of twelve months or less when purchased. Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost using the scientific interest method.
- (3) Common stock is stated at market value.
- (4) The Company had no preferred stock.
- (5) The Company had no mortgage loans.
- (6) The Company had no loan-backed securities.
- (7) The Company had no investments in subsidiaries, controlled and affiliated companies.
- (8) The Company had no investments in joint ventures, partnerships and limited liability companies.
- (9) The Company had no derivatives.

Notes to Financial Statement

(10) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.

(11) Unpaid losses and loss adjustment expenses include amounts determined from claims estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumption and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

(12) The Company’s capitalization policy has not changed.

(13) The Company’s pharmaceutical rebate receivables are estimated based on historical rebates received per member per month (PMPM) and current volume. The majority of rebates are billed or confirmed within 60 days at the end of each quarter. The rebates are then paid in accordance with contract terms with each manufacturer.

2. Accounting Changes and Corrections of Errors

The Company misreported Capital and Surplus in 2007 by \$11,623,800. This consists of many audit adjustments as outlined below.

Decrease drug rebate receivable at 12/31/2007 based on revised Milliman Estimate	(57,438)
Increase unpaid claims adjustment expense liability	(259,441)
Under accrual for Part C receivable (Milliman did not incorporate margin into estimate)	9,017,780
Over accrual of Caremark’s 3 days of claims expense (12/29 - 12/31)	286,613
Over accrual for Part D Reinsurance payable (XL booked to the Milliman's 2/25 draft estimate which did not include the 11/20 PDE file. This adjustment reflects the 3/12 estimate)	1,108,206
Over accrual for Part D LICS payable (XL booked to the Milliman's 2/25 draft estimate which did not include the 11/20 PDE file. This adjustment reflects the 3/12 estimate)	1,273,454
Over accrual for Part D Risk Sharing payable (XL booked to the Milliman's 2/25 draft estimate which did not include the 11/20 PDE file. This adjustment reflects the 3/12 estimate)	35,776
Premium Tax Expense not booked	(110,556)
Eliminate CMS payable	329,406
	<hr/>
	11,623,800

3. Business Combinations and Goodwill

- a. Statutory Purchase Method – None.
- b. Statutory Merger – None.
- c. Assumption Reinsurance – None.
- d. Impairment Loss – None.

4. Discontinued Operations

None.

5. Investments

- a. Mortgage Loans – None.
- b. Debt Restructuring – None.

Notes to Financial Statement

- c. Reverse Mortgages – None.
- d. Loan-Backed Securities – None.
- e. Repurchase Agreements – None.
- f. Real Estate – None.
- g. Low-income housing tax credits (LIHTC) - None

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income

- a. All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default are excluded from surplus.
- b. The Company had no investment income due and accrued excluded from surplus.

8. Derivative Instruments

None.

9. Income Taxes

The Company recognizes a deferred tax asset or liability for the expected future tax effects attributable to the temporary difference between the tax and financial statement bases of assets and liabilities. Deferred tax assets and liabilities are adjusted to reflect changes in tax rates or other provisions of the tax law in the period in which such changes are enacted. Deferred tax assets are recognized unless it is more likely than not, that some portion or all of the deferred tax assets will not be recovered.

- a. The components of the net deferred tax assets (liabilities) at December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31, 2007
Total Gross Deferred Tax Assets	\$17,247,771	\$16,936,542
Total Deferred Tax Liabilities		-
Net Deferred Tax Assets	17,247,771	16,936,542
Deferred Tax Asset Nonadmitted	(17,247,771)	(16,936,542)
Net Admitted Deferred Tax Asset		-
(Increase) Decrease in nonadmitted asset	\$(311,229)	\$(16,936,542)

- b. All DTLs have been recognized.
- c. Current income taxes incurred consists of the following major components:

	2008	2007
Current Federal Income Tax Expense	\$ 0	\$ 0

Notes to Financial Statement

The main components of the deferred tax amounts are as follows:

	2008	2007
IBNR	\$759,562	\$ 961,205
Bad debts		227,468
Unrealized loss		35,412
Health Care Receivables	2,481,375	
NOL	14,006,835	15,712,456
Gross Deferred Tax Assets	\$17,247,771	\$ 16,936,542
Total Non-admitted Deferred Tax Assets	\$17,247,771	\$ 16,936,542
Admitted Deferred Tax Assets	-	-
Gross Deferred Tax Liabilities	-	-
Net Admitted Deferred Tax Assets	-	-

The change in net deferred income taxes is comprised of the following:

	2008	2007	Change
Total Deferred Tax Assets	\$17,247,771	\$16,936,542	\$311,229
Total Deferred Tax Liabilities	-	-	-
Net Deferred Tax Assets	\$17,247,771	\$16,936,542	\$311,229

d. There is no difference in the Company’s income tax incurred and the change in its DTA’s and DTLs from the result obtained by applying the federal statutory rate to its pretax net income.

e. As of December 31, 2008, Care Improvement Plus of South Central Insurance has \$40,019,527 of net operating loss carryforwards, of which \$22,133,797 expires on 12/31/2027 and \$17,885,730 expires on 12/31/2028.

The following are income taxes incurred in the current and prior years which would be available for recoupment in the event of future net losses:

2008	\$0
2007	\$0

The aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code was \$0 as of December 31, 2008.

f. (1) The Company's tax return is combined with the following entities of XLHealth Corporation, Inc.:

- XLHealth Corporation, Inc. (the "Parent")
- XLHealth Texas, Inc.
- XLHealth BIPA, Inc.
- Care Improvement Associates of Pennsylvania, Inc.
- Care Improvement Associates of Texas, Inc.
- Care Improvement Plus of Alabama Insurance Company
- Care Improvement Plus of Maryland, Inc.
- Care Improvement Plus of North Carolina Insurance Company
- Care Improvement Plus of South Central Insurance Company
- Care Improvement Plus of Tennessee Insurance Company
- Care Improvement Plus of Texas Insurance Company
- Care Improvement Plus of Virginia Insurance Company
- Care Improvement Reinsurance Corporation of America

(2) XLHealth Corporation and its subsidiaries (“Affiliated Group”) files a consolidated Federal income tax return. Any tax liability is allocated among the Affiliated Group. As of December 31, 2008, no payments had been made pursuant to the tax liability allocation among the members of the Affiliated Group.

Notes to Financial Statement

10. Information Concerning Parent, Subsidiaries and Affiliates

a, b, c, d & f The Company has an administrative agreement with XL Health Corporation to provide all administrative services. The Company incurred \$101,492,928 and \$75,877,536 in management expenses to XL Health Corporation in 2008 and 2007, respectively.

The Company sold pharmacy rebate receivable in the amount of \$2,758,632 in December 2008 to XL Health Corporation. XL Health Corporation paid the amount January 6, 2009.

The Company has an outstanding receivable from XL Health Corporation of \$3,013,607 for settlement of intercompany activities.

XLHealth Corporation contributed \$7,500,000 into the Company in second quarter 2008, \$30,000,000 August 15, 2008, \$30,000,000 November 13, 2008 and an additional \$3,200,000 on January 6, 2009 to assure the Company had sufficient capital and surplus to meet the state regulatory requirements. The January 2009 capital infusion is approved by the Arkansas Department of Insurance as a SSAP No. 72 receivable from XLHealth.

On or about July 31, 2008, the merger (the “Merger”) by and among XLHealth Holdings LLC, a Delaware limited liability company (“Parent”), XLHealth Corporation, a Maryland corporation (“XLHealth”), and XLHealth Merger Sub, Inc., a Maryland corporation, was consummated. XLHealth and its Board of Directors believe that the Merger is in the best interests of the XLHealth’s stakeholders, including holders of options and warrants and that the Merger will provide operating, tax, accounting and other efficiencies, align the incentives of management with the interests of our stakeholders, and allow the Parent to pursue a broad range of strategic alternatives.

The Arkansas Department of Insurance was advised via letter on or about July 8, 2008, of the Merger; the Arkansas Department of Insurance responded on July 17, 2008, and advised it had no objection to the transaction and also that the transaction was exempt from any pre-approval requirements under the Arkansas Insurance Code’s Holding Company Act. As previously advised, the Merger did not directly involve the Company or its affiliated insurance companies domiciled in Maryland and Texas, and all of which are also subsidiaries of XLHealth. Most importantly, XLHealth continues to be the corporate parent of CIPSC, and MatlinPatterson continues to be the ultimate controlling party of the Company and also of XLHealth.

- e. There are no guarantees or undertakings for the benefit of any affiliate or related party.
- g. All outstanding shares of the Company are owned by the parent company, XL Health Corporation, an insurance holding company incorporated in the State of Maryland.
- h. The Company does not have any ownership in its Parent Company.
- i. The Company does not have any ownership in any SCA Companies.
- j. The Company does not have any ownership in any SCA Companies.
- k. The Company does not have any ownership in any foreign SCA Companies.
- l. The Company does not have any ownership in any downstream noninsurance holding company.

11. Debt

None.

Notes to Financial Statement

12. Retirement Plans, Deferred Compensation, Post-Employment Benefits, Compensated Absences and other Postretirement Benefit Plans.

- a. Defined Benefit Plan – None.
- b. Deferred Compensation Plan – None.
- c. Multi-Employer Plan – None.
- d. Consolidated/Holding Company Plans – None.
- e. Post-Employment Benefits and Compensated Absences – None.
- f. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - None

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) The Company has 100,000 shares of common stock authorized, issued and outstanding at a par value of \$1.
- (2) The Company has no preferred stock outstanding.
- (3) Dividends are paid as determined by the Board of Directors with the approval of the Commissioner of the Arkansas Insurance Department, as long as the Company meets or exceeds minimum surplus requirements.
- (4) During 2008, the Company paid no dividends.
- (5) Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- (6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being paid.
- (7) The Company has no advances to surplus not repaid.
- (8) The Company held no stock.
- (9) There were no changes to the balances of any special surplus funds from the prior year.
- (10) The Company did not have any surplus funds represented that were reduced.
- (11) The Company did not issue any surplus debentures or similar obligations.
- (12) and (13) There have been no quasi-reorganizations.

14. Contingencies

- a. Contingent Commitments – None.
- b. Assessments – None.
- c. Gain Contingencies – None.
- d. Claims related extra contractual obligations and bad faith losses stemming from lawsuits – None
- e. All Other Contingencies – None.

Notes to Financial Statement

15. Leases

None.

16. Information about Financial Instruments with off-balance sheet risk and financial instruments with concentrations of credit risk.

None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.

a. Transfers of Receivables reported as Sales – None

b. Transfer and Servicing of Financial Assets – None

c. Wash Sales – None

18. Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans.

a. ASO Plans – None.

b. ASC Plans – None.

c. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

a. Revenue from the Company's Medicare Part D (or similarly structured cost based reimbursement contract) for the year 2008, consisted of \$ \$63,931,508 for pharmacy expenses.

b. As of December 31, 2008, the Company recorded a receivable from CMS whose account balances are greater than 10% of the Company's amounts receivable from uninsured accident and health plans or \$10,000. The total balance for the Medicare Part D Low-income Subsidy and Reinsurance Subsidy is \$0.

c. In connection with the Company's Medicare Part D (or similarly structured cost based reimbursement contract) contract, the Company has recorded allowances and reserves for adjustment of recorded revenues in the amount of \$20,674,932 at December 31, 2008.

d. The Company has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.

The majority of the Company's premiums were written by field marketing organizations in 2008.

20. Other Items

a. Extraordinary Items – None

b. Troubled Debt Restructuring – None

c. Other Disclosures - None

d. There are no balances of assets covered by SSAP No. 6, Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers, SSAP No. 47, Uninsured Plans, or SSAP No. 66, Retrospectively Rated Contracts.

Notes to Financial Statement

- e. Business Interruption Insurance Recoveries - None.
- f. State Transferable Tax Credits - None.
- g. Hybrid Securities - None.
- h. Subprime Related Risk Exposure – None.
- i. FHLB (Federal Home Loan Bank) Agreements – None.

21. Events Subsequent

Type I. On January 6, 2009, the parent company, XLHealth Corporation, Inc. contributed \$3,200,000 to the Company. The Company admitted the receivable in accordance with SSAP No. 72.

Type II. On January 27 and January 28, 2009, the parent company, XLHealth Corporation, Inc. contributed \$4,650,000 and \$1,800,000, respectively, to the Company. These contributions were not approved SSAP No. 72 receivables and are not reflected in the annual statement.

22. Reinsurance

a. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (x)

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (x)

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (x)

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (x)

Section 3 – Ceded Reinsurance Report – Part B – Not applicable.

- b. Uncollectible Reinsurance – None
- c. Commutation of Ceded Reinsurance - None

Notes to Financial Statement

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

- a. The Company estimates accrued retrospective premium adjustments for its Medicare Part D Risk Corridor adjustment based on the contract with CMS and actuarial estimates.
- b. The Company records accrued retrospective premium as an adjustment to earned premium.
- c. The amount of net premiums written by the Company as December 31, 2008 that are subject to retrospective rating features was \$70,803,728 that represented 10% of total net premiums written for Medicare. No other net premiums written by the Company are subject to retrospective rating features.

24. Change in Incurred Claims and Claims Adjustment Expenses

Reserves as of December 31, 2007 were \$146,647,724. As of December 31, 2008, \$129,523,842 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$2,351,109 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Medicare line of business. Therefore, there has been a \$14,772,773 favorable prior-year development since December 31, 2007 to December 31, 2008. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

25. Intercompany Pooling Arrangements

None.

26. Structured Settlements

None.

27. Health Care Receivables

- a. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2008	\$2,099,913		\$1,270,378	\$732,318	
09/30/2008	\$5,834,784	\$5,105,326	\$763,428	\$1,636,550	
06/30/2008	\$1,662,850	\$3,235,218	\$679,985	\$938,551	
03/31/2008	\$3,915,782	\$3,255,086	\$530,925	\$465,878	
12/31/2007	\$3,849,397	\$1,935,354	\$183,485	\$130,788	
09/30/2007			\$ 83,787		

- b. Risk Sharing Receivables - None

28. Participating Policies

None.

29. Premium Deficiency Reserves

None.

Notes to Financial Statement

30. Anticipated Salvage and Subrogation

None.

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
ARKANSAS
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:

12/31/2007
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 3.4 By what department or departments?
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes[] No[] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes[] No[] N/A[X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?

Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

PricewaterhouseCoopers LLP 100 East Pratt Street, Suite 1900, Baltimore, MD 21202
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Patrick J. Dunks Milliman 15800 Bluemound Rd Suite 400 Brookfield WI 53005-6069 Actuary/Consultant
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved

0
- 11.13 Total book/adjusted carrying value

\$ 0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
18.11 To directors or other officers
18.12 To stockholders not officers
18.13 Trustees, supreme or grand (Fraternal only)
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
18.21 To directors or other officers
18.22 To stockholders not officers
18.23 Trustees, supreme or grand (Fraternal only)
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- 19.2 If yes, state the amount thereof at December 31 of the current year:
19.21 Rented from others
19.22 Borrowed from others
19.23 Leased from others
19.24 Other
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?
- 20.2 If answer is yes:
20.21 Amount paid as losses or risk adjustment
20.22 Amount paid as expenses
20.23 Other amounts paid
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)
- 22.2 If no, give full and complete information, relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 16 where this information is also provided)
- 22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?
- 22.5 If answer to 22.4 is YES, report amount of collateral
- 22.6 If answer to 22.4 is NO, report amount of collateral
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3).
- 23.2 If yes, state the amount thereof at December 31 of the current year:
23.21 Subject to repurchase agreements
23.22 Subject to reverse repurchase agreements
23.23 Subject to dollar repurchase agreements
23.24 Subject to reverse dollar repurchase agreements
23.25 Pledged as collateral
23.26 Placed under option agreements
23.27 Letter stock or securities restricted as to sale
23.28 On deposit with state or other regulatory body
23.29 Other
- 23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- 25.2 If yes, state the amount thereof at December 31 of the current year.

GENERAL INTERROGATORIES (Continued)

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?
- 26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- Yes[] No[X]

1	2
Name of Custodian(s)	Custodian's Address

- 26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
PNC Investments	Baltimore, MD	The Company has determined the agreement is not in compliance with the NAIC Financial Condition Examiners Handbook as of 12/31/08 with respect to investments with PNC bank. Subsequent to 12/31/08, the Company has moved its funds into cash at PNC bank.

- 26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?
- 26.04 If yes, give full and complete information relating thereto:
- Yes[] No[X]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

- 26.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address

- 27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?
- 27.2 If yes, complete the following schedule:
- Yes[] No[X]

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
27.2999 Total		

- 27.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	160,178,803	160,178,969	166
28.2 Preferred stocks			
28.3 Totals	160,178,803	160,178,969	166

- 28.4 Describe the sources of methods utilized in determining the fair values
Year end statements provided by custodian
- 29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?
- Yes[X] No[]

GENERAL INTERROGATORIES (Continued)

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$..... 0
30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....

31.1 Amount of payments for legal expenses, if any? \$..... 0
31.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$..... 0
32.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....

FIVE-YEAR HISTORICAL DATA

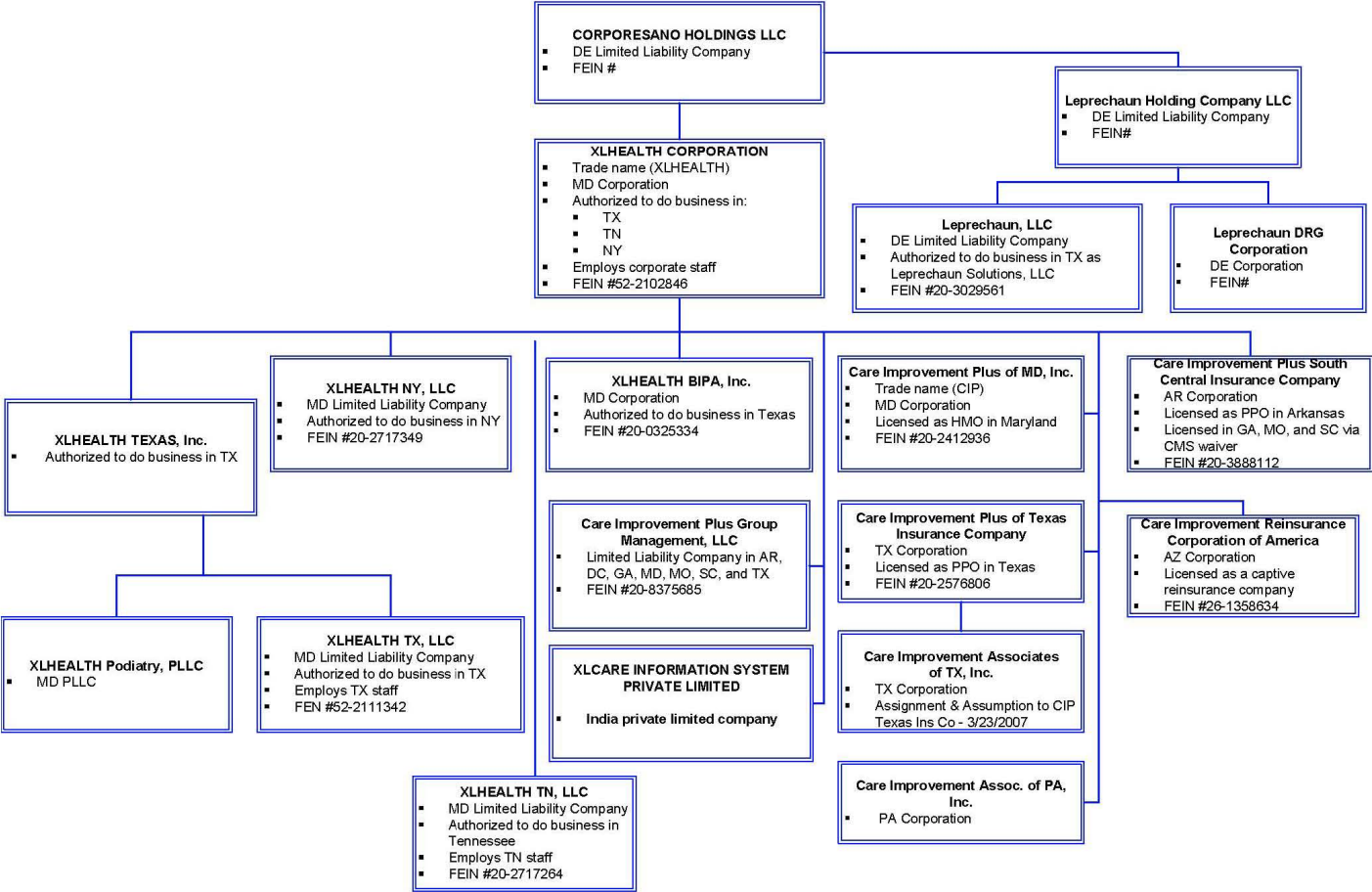
	1 2008	2 2007	3 2006	4 2005	5 2004
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	192,550,617	204,337,984	1,939,000		
2. Total liabilities (Page 3, Line 22)	132,514,899	168,013,306	103,123		
3. Statutory surplus			26,040		
4. Total capital and surplus (Page 3, Line 31)	60,035,719	36,324,678	1,835,877		
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	692,650,092	389,167,642			
6. Total medical and hospital expenses (Line 18)	646,270,391	362,989,104			
7. Claims adjustment expenses (Line 20)	42,331,756	43,535,225			
8. Total administrative expenses (Line 21)	59,190,434	33,973,015			
9. Net underwriting gain (loss) (Line 24)	(55,142,489)	(51,329,702)			
10. Net investment gain (loss) (Line 27)	3,669,230	2,263,083	26,040		
11. Total other income (Lines 28 plus 29)	(1,397,561)				
12. Net income or (loss) (Line 32)	(52,870,820)	(49,066,619)	26,040		
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(110,169,437)	89,493,354	5,130		
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	60,035,719	36,324,678			
15. Authorized control level risk-based capital	25,244,424	14,462,896			
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	45,386	57,258			
17. Total members months (Column 6, Line 7)	528,609	338,739			
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	93.3	93.3			
20. Cost containment expenses	2.8	6.6			
21. Other claims adjustment expenses	3.3	4.6			
22. Total underwriting deductions (Line 23)	108.0	113.2			
23. Total underwriting gain (loss) (Line 24)	(8)	(13)			
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	130,365,476				
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	140,822,974				
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 53, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31					

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
ALLOCATED BY STATES AND TERRITORIES

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit - Type Contracts
1.	Alabama (AL)	N								
2.	Alaska (AK)	N								
3.	Arizona (AZ)	N								
4.	Arkansas (AR)	L		123,203,875					123,203,875	
5.	California (CA)	N								
6.	Colorado (CO)	N								
7.	Connecticut (CT)	N								
8.	Delaware (DE)	N								
9.	District of Columbia (DC)	N								
10.	Florida (FL)	N								
11.	Georgia (GA)	N		238,252,759					238,252,759	
12.	Hawaii (HI)	N								
13.	Idaho (ID)	N								
14.	Illinois (IL)	N								
15.	Indiana (IN)	N								
16.	Iowa (IA)	N								
17.	Kansas (KS)	N								
18.	Kentucky (KY)	N								
19.	Louisiana (LA)	N								
20.	Maine (ME)	N								
21.	Maryland (MD)	N								
22.	Massachusetts (MA)	N								
23.	Michigan (MI)	N								
24.	Minnesota (MN)	N								
25.	Mississippi (MS)	N								
26.	Missouri (MO)	N		58,804,175					58,804,175	
27.	Montana (MT)	N								
28.	Nebraska (NE)	N								
29.	Nevada (NV)	N								
30.	New Hampshire (NH)	N								
31.	New Jersey (NJ)	N								
32.	New Mexico (NM)	N								
33.	New York (NY)	N								
34.	North Carolina (NC)	N								
35.	North Dakota (ND)	N								
36.	Ohio (OH)	N								
37.	Oklahoma (OK)	N								
38.	Oregon (OR)	N								
39.	Pennsylvania (PA)	N								
40.	Rhode Island (RI)	N								
41.	South Carolina (SC)	L		278,204,313					278,204,313	
42.	South Dakota (SD)	N								
43.	Tennessee (TN)	N								
44.	Texas (TX)	N								
45.	Utah (UT)	N								
46.	Vermont (VT)	N								
47.	Virginia (VA)	N								
48.	Washington (WA)	N								
49.	West Virginia (WV)	N								
50.	Wisconsin (WI)	N								
51.	Wyoming (WY)	N								
52.	American Samoa (AS)	N								
53.	Guam (GU)	N								
54.	Puerto Rico (PR)	N								
55.	U.S. Virgin Islands (VI)	N								
56.	Northern Marianas Islands (MP)	N								
57.	Canada (CN)	N								
58.	Aggregate other alien (OT)	X X X								
59.	Subtotal	X X X		698,465,122					698,465,122	
60.	Reporting entity contributions for Employee Benefit Plans	X X X								
61.	TOTAL (Direct Business)	(a) 2		698,465,122					698,465,122	
DETAILS OF WRITE-INS										
5801.		X X X								
5802.		X X X								
5803.		X X X								
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

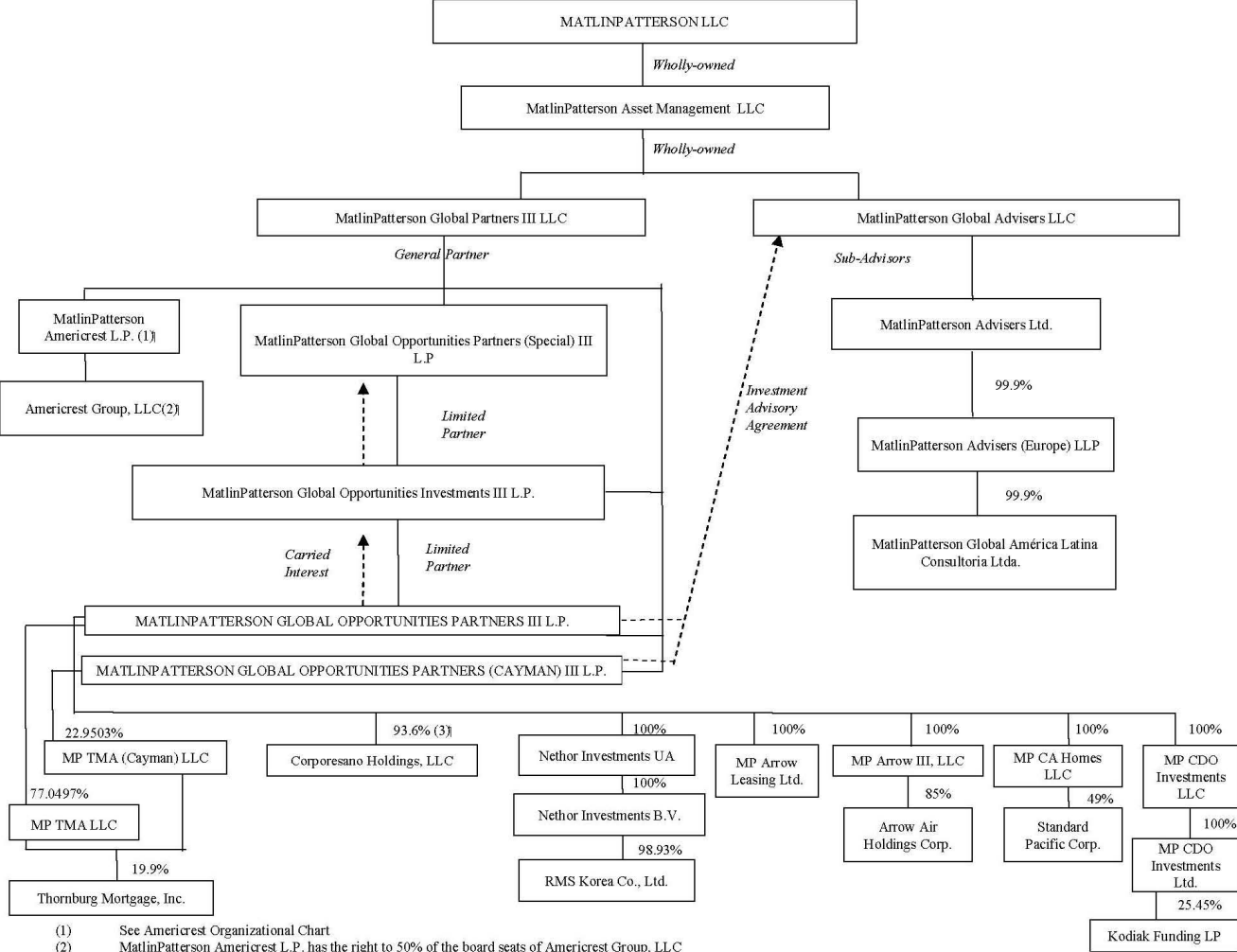
(a) Insert the number of L responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.: Premiums are allocated to each state based on residence of member.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

ORGANIZATION CHART -MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS III
(Confidential)

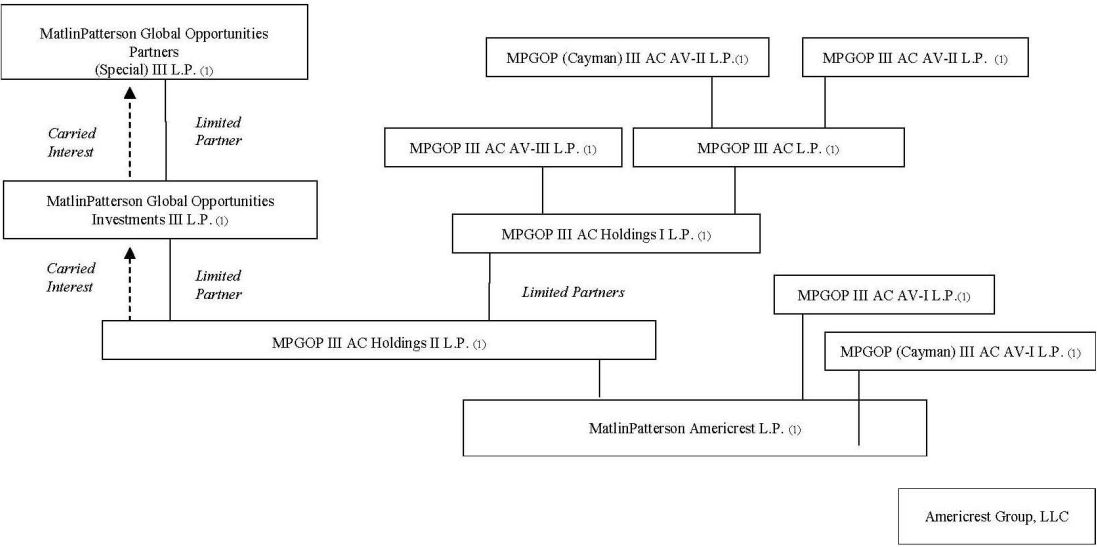


(1) See Americrest Organizational Chart
(2) MatlinPatterson Americrest L.P. has the right to 50% of the board seats of Americrest Group, LLC
(3) Ownership reported on an as-converted basis

MatlinPatterson Advisers Ltd.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

ORGANIZATION CHART AMERICREST GROUP, LLC (Confidential)



(1) MatlinPatterson Global Partners III LLC is the general partner

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